of possible lines of action. They are contemplated with reference to another essential constituent of will, the constituent which we call choice. This is the 'fiat,' the 'let it be done and done by me' which is an ultimate and profoundly important characteristic of mental life. But the choice besides being guided by cognition is necessarily prompted by desire. Desire, in fact, is the feeling attitude of the subject with respect to possible action. Now we have shown that every desire includes some awareness of the value of the end toward which it strives. It follows that not cognition only, but also cognition of values, plays its part necessarily in will, however specific and peculiar the nature of will may be. Surely, then, it is plain that the ought is no stranger to psychology, and that if human nature can be morally trained, it must be trained in the way our theory suggests. The elements which the ought implies, the reasons which make it binding, may be found, in some form or other, in almost any instance of human action. They must occur in every instance of human conduct. In order that there may be conduct there must be volition, that volition must be restricted to what the agent believes to be within his power, and must be guided by awareness of values. The ought works within this sphere. It demands only that these elements be united in the best possible way. To consider this, to ask how these elements should conspire and what should be their aim, is the task of ethics. It may include more. It does not include less.

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THE COMBINATION VERSUS THE CONSUMER.

H. B. REED.

IN the competitive system it was supposed that charging all you could get in an open market brought a fair price. According to Adam Smith, the relations of supply and demand made every commodity bring a fair or

natural price, a price that covered the cost of bringing an article to market, including subsistence for the wage earner, subsistence for the trader, and the ordinary rent to the land-owner. If the supply was less than the effectual demand, the price went above the natural one; but immediately production increased and reduced the price to normal. If the supply was greater than the effectual demand, the price fell below the natural one; but immediately some production ceased and raised the price to its normal. This argument is still believed by many. For example, so distinguished an authority as President Hadley gives a fresh restatement of it in his "Standards of Public Morality" (pp. 37-43). His argument is essentially as follows: (1) A fair price fixed according to cost of production is detrimental to the trader because some articles will not bear it. If therefore a trader is to make ends meet, he must be allowed to charge extra prices on other articles that will bear them. (2) A fixed price conforming to cost often results in scarcity and want, for people will not save so long as prices remain the same. But this is avoided if the price is left free, for it will rise as the article becomes scarce, and this necessitates thrift and increased production. (3) Under a fixed price, people who most want a thing often fail to get it, while under a free price they are able to get it by paying a price higher than the fixed one. (4) A price determined naturally in an open competitive market is just, since if one merchant charges extortionately, his competitor promptly undersells him. (5) Therefore, prices and production, if left to themselves, produce far more favorable results to society than a system of control according to some imaginary standards of justice.

The soundness of this argument for the natural and automatic justice resulting from the competitive system depends altogether upon the truth of the underlying assumptions, namely, those of fair competition and an open and free market. With reference to the open market it

assumes a free flux and change of all the factors of industry. If the laborer is engaged in an industry in which there is an over-production, he is free either to withdraw or to change to an industry in which there is a scarcity of production. Similarly, the capitalist can either shut down his plant or take up another line of manufacturing, and the land-owner can either withdraw his land or begin growing crops in which production is scarce. That is to say, a laborer is free to stop coal-mining and promptly begin work either as a baker or as an engineer or as a skilled mechanic in a steel plant. The rolling mills in steel could stop turning out steel rails and begin the manufacture of shoes or lumber.

Not only is such a perfect flux required to make the system always yield natural prices; there must be also a pre-knowledge of all the conditions and factors that bring about changes in the market price. For example, if, during the next year, there were going to be a dry season in Western Canada and a favorable season in Southern Russia, the Russians, in order to avoid scarcity in the wheat market, would have to know this fact and bring a greater number of fields under cultivation, and the Canadians would have to know it so as to avoid an over-supply of labor and a useless putting out of crops. The over-supply of labor in Canada would either have to move to Russia or find employment in other industries in which there would be a scarcity of production. In fact, nothing short of an absolute knowledge of the world would satisfy the necessary conditions.

It is well known that this mobility with respect to industry does not exist. There is an element of permanency to be considered. In the laborer it is habit; in the capitalist, the fixity of machinery; and in land, the nature of soil in the relation to the seasons of the year. The laborer cannot change and train his habits for a new trade and in the meantime support his family; nor is he free to withdraw his labor, for he usually has no surplus. The capitalist cannot shut down his plant for

a very long time without infringing upon his dividends and credit. Nor can the land-owner usually forego his rent without some injury or failure in his business relations. So far, then, as there is permanency in any of the factors of industry, the natural or fair price in an open competitive market will not be obtained. So if there is a scarcity in wheat, it will probably be a year before the production will be increased. If it is in steel, or in coal, the scarcity may never be remedied, for no more mines may be available to new competitors. In such a case, the market price could always be maintained above Adam Smith's natural price.

In this view, then, the assumption of the free mobility of the factors of industry is taken with too much extravagance and in so far invalidates the natural and automatic justice of the competitive system. There is an equal extravagance with regard to the assumption of fair competition. For competitors fair competition obtains when the rules and opportunities under which they operate apply equally to all. It is not so important what the rules are as it is to have them affect all alike. There are many ways in which this condition is violated when combinations enter the field. The combination can start a siege of price-cutting upon a small trader and wholly destroy his business by spending only a small part of its capital. Because of its ability to supply the carrier with a large and regular traffic, it can obtain a rebate large enough to cover the small shipper's profit and so close the market against him. Because of its extensive capital and organization, it can carry on a system of espionage by which railroad and competitors' employés are paid for furnishing information about the small trader's business, through which information it can go to the competitor's customer and get his trade either by offering lower prices or even by giving the goods gratis; or, if it has a monopoly on some goods which the customer must have, by refusing to trade with him at all unless he ceases to patronize competitors; or, if the customer is

a small dealer, by threatening to open competition with him and ruin his business. The combination can also promote its own business and injure that of a competitor through improper use of the press and through questionable advertising. It can furnish editors with editorials which discount the wares of the competitor and praise the merits of its own, or it can cause advertising to the same effect to be printed in the reading columns in the form of disinterested news. It can also go before a legislative body and often by means of its capital alone secure legislation favorable to itself, but unfavorable to competitors; or it can employ able lawyers and solicitors who, through their persuasion often secure the same sort of legislation. And with respect to matters in the courts, it is well known that the combination can gain much through delays and appeals which are quite impossible to small traders. In these and many other ways, the combination can carry on competition from which the small trader is almost wholly excluded because of his small capital. But this competition is bound ere long to prove fatal to his business.

Let us suppose that the combination, by carrying on competition in ways that are not open to the small trader, establishes a monopoly. What then happens to the price? The combination still supposes that charging all it can get brings a fair price. The consumer is not compelled to buy. If then the combination is willing to sell at a given price and the consumer is willing to pay that price, the result is a 'fair price.' Even if the price is more than twice above cost, the consumer is still not overcharged, for he is willing to pay the price asked. This is the point of view taken by the combination. Undoubtedly a contract made between two reasonable beings is fair, *provided they are equally dependent upon each other*. The question is then whether the monopolist and the consumer *are* equally dependent upon each other. The monopolist must, of course, sell his goods in order to make profits. He cannot sell them for more than they

will bear. But his business is not dependent upon any one individual's purchase. So what independence the individual purchaser has is limited by the number of his alternatives, that is, the number of substitutes which he has for the goods which the monopolist sells. If the monopolist is a carrier to a central market from a point where the only important produce is wheat, it is clear that the farmer's alternatives are few and that his profits will depend upon the carrier's rates. If wheat sells for eighty cents per bushel at the central market, and fifteen cents per bushel is a fair rate for the carrier, that is, a rate high enough to permit him to conduct an efficient business, then the farmer should receive sixty-five cents for his wheat. But the carrier may raise his rate to thirty cents and reduce the farmer's price to fifty cents. The farmer is still compelled to sell at fifty cents and pay the carrier thirty cents, for the grain is useless in his granary, and he has no other way of disposing of it. He must, therefore, sell in order to be able to purchase goods needed, such as farm implements, clothing, and books. Where, then, the carrier has a monopoly, he can determine in what proportion the shipper shall divide his profits with him.

To bring out the point more clearly, we may cite the classic example of the baker's monopoly. A starving man with a dollar in his pocket has the alternative of parting either with his life or with his dollar for a loaf of bread. He chooses to spend his dollar, although five cents would have been enough for the baker.

From these illustrations it is clearly seen that when a trader once has a monopoly upon a useful commodity, the equal dependence between seller and buyer is destroyed. The buyer has lost the alternative of competition which prevented him from being over-charged, and he is unable to find substitutes which are equally as good and cheap as the monopolist's products. So long, therefore, as the monopolist is left to bargain individually with each consumer, there is no equality, and a free and

fair contract is impossible. To make the monopolist and the consumer equally dependent upon each other, all the consumers must combine and bargain collectively with the monopolist or combination of traders. The monopolist then must sell to this combination of consumers in order to realize any profits, and he must sell at such prices as the consumers think reasonable. The consumers would pay a price sufficient to enable the monopolist to carry on a flourishing business and receive an average return upon his capital, for otherwise they could not get the monopolist's goods in the quantity and quality in which they want them. In this way alone can the consumer bargain fairly with the monopolist.

But then there is the practical problem of forming a combination among the consumers, for in not a few cases the consumers are scattered over an entire nation and, in some, over many nations. It is unnecessary that the consumers of separate nations combine, for as yet there is no combination of manufacturers with which a single nation cannot deal fairly and equally. But the consumers of a given nation are already combined and have an organization in the State. Their recourse is then to have the State bargain in their behalf with the monopoly. There are many reasons for making this arrangement: only the State can bargain fairly with the combination. The State protected consumers against unreasonable prices in allowing traders freely to compete with each other. It allowed traders to charge all they could get, for in an open market, under fair competition, they could not get too much. But competition often became too strong and caused too many traders to fall into bankruptcy. To avoid this, the State allowed traders to combine for regulating production and prices. This made possible unequal competition between the combination and the small trader. The State failed to prevent this, and the result was monopoly. The monopoly still kept charging all it could get. But charging all it could get in a closed market, under no competition, proved to be

extortion to the consumer. To prevent this, the State should again resume its protection of the consumer, not necessarily by reintroducing competition, but by regulating the monopoly. It should do this not only because of its former protection of the consumer against unfair prices through competition, but also because, if it protects the trader against the wastes of competition and of unregulated production, it should treat the consumer equally well by protecting him against the extortion of monopoly.

I believe the justness and fairness of this reasoning and conclusion to be indisputable. Charging all you can get in an open market under fair competition brings fair prices. But charging all you can get in a closed market under no competition is extortion, just as taxation without representation is tyranny. Even under competition, charging all you can get is not fair unless the competition is fair and affects all traders alike, large or small; for just in so far as competition is unequal, and just in so far as a trader enjoys monopoly, he can charge unreasonable prices. If the State, then, relies upon competition to bring justice to the consumer, it should undertake to make competition fair and make the 'rules of the game' apply equally to all. But if it allows monopoly, then it is obliged to regulate it. All the arguments against State interference with the course of trade, however applicable to conditions of fair competition, lose all their force as applied to monopoly; for, under monopoly, prices and production are no more free and left to adjust themselves. On the contrary, they are fixed and regulated by the monopolist. The consumer or people then have to choose between a price as fixed by the monopolist, who regulates the price primarily with reference to his own interests, and a price as fixed by an intelligent Public Service Commissioner, who regulates prices with reference to the interests of all, both consumer and producer. To suppose that an intelligent and disinterested commissioner could not do as well as a self-interested

monopolist is presumptuous and requires proof, especially in view of the success of some present-day Public Service Commissions. To recite the failures and disasters of mediæval regulation is no argument; for the mediæval idea of a fixed price, which did not recognize changes required by new conditions, is not necessarily adopted by a modern commission which does recognize such conditions and changes. Moreover, in mediæval times the judge thought it sufficient to fix prices without interfering with production, and this was the cause of his failure. But in the present day, we are in control of both production and prices, and, therefore, conditions are favorable for the success of public regulation.

The problem, then, is by what principles shall the State regulate and determine fair prices. We can get some help in this by reviewing what the courts have actually done in this respect.

There is a rather extended series of judicial opinions as to what constitutes a fair rate of profit for monopolistic public service corporations and a fair capitalization upon which a lawful return may be demanded. It is unnecessary for our purpose to review all of these. It will be sufficient to state some of the conclusions that have been reached. In the beginning, there was confusion as to whether the basic valuation upon which a rate of return may be expected is to be determined by the use or the earning capacity of the corporation, or by the original cost of its properties, or by their cost of reproduction in present condition. It was soon noticed that earning capacity could not be used, for it was the fairness of earning that was under question. Nor could the actual capitalization of the corporation be used, for it was usually based upon the earning capacity. Original cost was found to be impractical, for a number of reasons. In many cases it could not be determined. Or, again, the plant might have not been economically constructed, or it might have been constructed at a time when prices were either unusually high or unusually low.

If they were unusually high, it would be unfair to consumers to make them pay a return upon an investment that is much higher than it would be upon a plant newly built. If they were unusually low, the owner could not afford to operate the plant after prices became high, if he were allowed no more than a constitutional return upon the original cost. That is to say, a valuation determined by original cost does not adjust itself to the changes in prices and values that are constantly occurring. For these reasons the courts have rejected original cost and have adopted as the basis of valuation for determining reasonable returns the cost required to reproduce in their present condition the properties used for the convenience of the public, allowing both for depreciation and appreciation. To avoid unusual circumstances or fluctuation in this cost, the average price of labor and material for a period of years is usually taken, —either this or an average year in which there are no unusual fluctuations. There appears to be no dispute as to admitting into this basic valuation all the tangible assets, used for the public convenience, but there is still some doubt as to the admittance of intangible assets, such as franchise, good will, going value, good management, and advantageous location. In cases where a public service corporation has a monopoly, the Supreme Court has not allowed any of these elements except franchise to form part of the capitalization upon which to base rate-charges, and franchises are admitted only when the State has allowed them to be capitalized and be made an article of commerce. There is a good reason for this, because in so far as the intangible assets possess value, it is derived from the earning capacity of the physical plant; and where the fairness of this earning capacity is in question, it is obviously reasoning in a circle to say that a portion of the earning capacity should enter the capitalization upon which a fair earning is to be based.

After the valuation is determined in the manner outlined, then account is taken of the operating expenses

per annum. In these also an average is usually taken for a period of years. Included in the operating expenses is a certain rate per cent. of allowance for depreciation, renewals, and extraordinary accidents. It is then determined what a fair income would be upon the valuation as thus determined. This is added to the operating expenses and the total is divided by the average annual quantity of units of service or goods sold. The result is regarded as the fair rate or price. As to what constitutes a fair rate of profit, the rule is that it is the amount ordinarily sought and obtained in such investments in the locality of the one under question that are equally as safe.[1] It is such a rate as would be accepted in a given business by the prudent and reasonable man,—as he is known in law. In the Consolidated Gas case this was determined to be six per cent. for New York City.[2]

It will be seen that the courts do not ask what ought to be a fair price or profit. They assume that the average of what is, is right; or rather, the average of the opinions of common sense is right. A fair profit for a given investment is the average profit ordinarily received in investments of that kind. A fair price for a given commodity is the average of the prices ordinarily obtained for that commodity. A fair wage for a given service is the average paid the laborer for the performance of that

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[1] Consolidated Gas Case, 157 Fed., 871; 212 U. S., 50.

[2] This brief statement of the judicial method of determining fair prices is based primarily upon the following cases: Consolidated Gas case cited above; Smyth v. Ames, 169 U. S., 574; Chicago, Milwaukee & St. Paul v. Minnesota, 134 U. S., 458; Cleveland and Railway Co. v. Backus, 154 U. S., 445-6; San Diego Land and Town Co. v. Jasper, 110 Fed., 714; Collings v. Kansas City Stockyards Co., 82 Fed., 854; San Diego Land and Town Co. v. Jasper, 189 U. S., 442; Stanislaus v. San Joaquin C. & I. Co., 192 U. S., 214; Metropolitan Trust Co. v. Houston, etc., 90 Fed., 687; 9 I. C. C. Rep., 402; Contra Costa Water Co. v. City of Oakland, 113 Pac., 681; Cedar Rapids Gas Light Co. v. City of Cedar Rapids, 120 N. W. Rep., 969; Brunswick Water Dist. v. Maine Water Co., 59 Atl. Rep., 540; National Water Works Co. v. Kansas City, 62 Fed., 865; Omaha v. Omaha Water Co., 218 U. S., 203.

labor. Undoubtedly this is the best that the law can do; for the law, in order to be enforcible and applicable, must be simply and clearly stated in the form of a general rule. It cannot take account of particular circumstances and particular individuals, for these would confuse the rule and would not generally apply. If such can be taken into account, it is only by the prudence of the judge who applies the rule. In ethics, however, account is taken of individuals and particulars, and we ask whether 'what is' is what ought to be—ought to be for the best interests of all concerned. From the point of view of social justice, several matters appear to be open to discussion. We notice only the problem of allowing for good management and individual initiative. In business establishments improvements are made either for the sake of maintaining a present rate of income which is being endangered by the improved facilities of competitors, or for the sake of increasing the income. In monopolies, the incentive from competition is lost, although the desire either to maintain an established reputation and credit in the business world, or to win the same if it is not already established, is still effective. Yet it cannot be denied that improvements are made in most cases for the purpose of increasing profits. Nor can it be denied that good management is desirable in a public business. Not only does the public demand efficient service; it also desires it at as reasonable rates as possible. If a good manager, through economical operation and other improvements could greatly reduce the cost of service and consequently lower the rates to the public, there would be a saving for which it would be worth paying well. But a manager who could effect such reductions would demand his reward, and it is unlikely that an average rate of profit would satisfy him; for the same ability applied to competitive business would bring more than an average return. Nor can it be said to be just to reward superior ability at the same rates as average ability. It agrees with our sense of justice to treat

unequals unequally. If it is the judicial policy to allow no more than an average return for public business, incentive to good management is lost; for if the profits are to be reduced to the average rate as soon as a lower cost of service is effected, there is no inducement to make improvements.

To this line of objection it may, however, be replied that the judicial rate of profit does not altogether fail to reward merit. The average rate of profit is at least not confiscatory, and it does allow some incentive to good management. If rate charges at a given time are fixed to yield six per cent. profit on the investment, it is possible to increase the profits, on the one hand, by increasing the volume of business, and on the other, by reducing the cost of service or production; provided, however, that the rates as fixed are not lowered as soon as these results are obtained. There is no good reason for thinking that this lowering would be effected promptly, for judicial action is both slow and presumably prudent. Whether these avenues would allow sufficient incentive to managerial ability, can only be determined by experience, although the probability is that the judicial return could never adequately reward exceptional ability.

The difficulties with the judicial determination of a fair price could, however, be largely obviated by putting the supervision of public or monopolistic business into the hands of an expert Public Service Commissioner who is familiar with the details of the business, instead of a judge, who at best is restricted to averages and generalities, and is therefore unable to do adequate justice to the individual. The expert could easily determine whether or not the average rate of profit was enough to conduct as efficient a business as is desired by the public. If it is not enough, he could recommend or fix higher rates. If the business is ineffectively managed, he could detect the flaws and suggest remedies rather than oblige the company by raising rates. He also could determine whether or not exceptional ability is required to conduct

the business, and what would be a just reward for the same. And if, under given rate charges, the original rate of profit had been raised through the skill of the manager in extending the business and reducing the cost of service, he would not at once correspondingly reduce the prevailing rates, for so he could reward good management and leave an incentive for the making of improvements. That is, the expert would not be restricted to the judicial rate of return and could, therefore, do adequate justice to individuals and make modifications where special circumstances require it. The expert could thus more exactly determine what reward is *needed* to produce the efficiency demanded by the public. But as soon as we mention needs as a criterion for determining fair profits and prices, then we wonder why it is that a Public Service Commissioner must use this criterion, and by what practical means needs are to be determined.

It is conceded by some moralists that need would be the most ethical basis upon which to distribute wealth, if it were possible to devise some practical means by which need could be defined. But whom we should be willing to make the judge of our needs seems unanswerable unless every one is to be made the judge of his own needs. That is to say, the system of unlimited competition is the best determinator of needs. But we have already seen that competitive principles are not applicable to conditions of monopoly, and that here new standards of need are required. Upon examination, the theory of needs appears not to be unpractical as applied to monopolies, whatever may be its difficulties as a general principle for the distribution of wealth. For although a perfect standard may not be attainable, certain needs are fairly evident, and their measure is reasonably objective.

As space does not permit an adequate discussion, I can merely refer schematically to certain points which fall under the two general aspects of cost of production and business efficiency.

It may be assumed that a monopoly will not sell its goods or services for less than cost of production, cost of production being used as a phrase to cover cost of materials, labor, and depreciation of capital, and determined according to the judicial method as already outlined. Nor can a monopoly charge more than its goods will bear. But we have seen that charging what the goods will bear under conditions of monopoly results in extortion. So the fair price is somewhere between cost of production and what the goods will bear. The judicial method assumes that a fair price is one that allows an average profit upon the cost of production. But this assumes that the wage paid to labor is fair and that the capitalist has a right to demand the ordinary rate of profit. The socialist denies both of these assumptions and claims that the difference between cost of production and the gross earnings should return to labor, for labor produced it.

I shall have to assume without proof that some use of capital is necessary, and that it does perform a function and hence must be provided for. The point at issue is, then, How much profit is justified?

From the point of view of needs, the judicial standard of average return upon capital is open to question. It is well known that many capitalists cannot possibly consume all their interest. If by needs we mean what is needed for a comfortable living, it follows that the average rate of return on capital is much too large. If the non-consumable income is reinvested in the production of necessaries, it is, however, doing good work. But if it is spent upon luxuries or invested in the production of luxuries, then it is a stimulus to idleness and would do more good if it were in the hands of a man of smaller income who could use it in the securing of necessities. At those points, then, where non-consumable income tends to increase the consumption and the production of luxuries or to produce those results that are not on the whole socially desirable, the average rate of return

is very properly reduced. A graduated income tax is one means of solving this problem, but what form this should take can be determined only by experience. I mention this matter of a good living because I do not think it can be overlooked in the regulation of monopolies, nor is it impossible to regulate incomes with reference to it. But a Public Service Commission could not do much in this direction, for it would interfere with the law. If it should reduce the rate of return upon capital much below the average, its regulation would be invalidated by the courts as being confiscatory even though it were not. The Public Service Commission can only determine what the least return is that must be paid upon capital in order to get its benefit under present conditions. The lower limit would evidently be something above the rate of income from state securities because of the greater risk in public service business.

So much the capitalist would need. In addition, capital, the instrument of production, needs an allowance not only for depreciation to maintain a given industry at its present efficiency, but also for growth and progress. Industry not being static, but dynamic and growing, something must be set aside to meet the cost of extensions and permanent improvements as well as extraordinary accidents that are liable to occur. This is required to meet the growing needs of the public and to insure a continual efficient service, which, if not provided for, would mean loss and handicap in the future. These would be the minima needed by capital and the capitalist to satisfy the interest of the public.

The wage needed by labor is also an important consideration. The judicial determination of a fair profit does not open this question, but assumes that wages are not subject to review as included in the operating expenses. The socialist, however, disputes this and demands a larger wage; and he is not entirely wrong, even from an economic point of view, in demanding a larger wage, for it may very well be that a larger wage would

better the laborer's efficiency. The capitalist is willing to pay the minimum wage, that is, the amount required to maintain labor at its present efficiency. But if labor is kept in a static condition while capital is allowed to grow and improve, industry as a whole will suffer. In the progress of industry, all the factors must be allowed to grow in proportion. (See Hobson, "Industrial System," chapters IV-VII.) The laborer, therefore, needs a certain allowance for his cost of growth just the same as capital. If it improves his efficiency, both industry and the public will be benefited. If it raises his standard of living, not only will his community have a better citizen, but his wants will be multiplied and so demand increased production and call for new investments—a situation equally beneficial to the capitalist. Besides, since the laborer's standard of living is much below that of the capitalist, a considerable share of the costs of progress should return to him in order to make his living more comparable with that of the best members of society. He may be capable of living well quite as much as the capitalist, and if he has an opportunity to develop his capacities, he may be a more capable and useful man than the capitalist. If so, then it is to the interest of society to provide a means by which his powers can be gradually realized, for it can never be undesirable to have as many efficient men in society as possible, no matter whether they originate in ghettos or in palaces. For these reasons, it is desirable, in the administration of business, to provide the laborer with as much of the costs of progress as he can effectively use; for it means greater efficiency, better citizens, multiplied wants, and increased production,—a situation beneficial to all classes of society.

In determining the needs of labor and capital, we also satisfied the needs of the consumer. It is in his interest that a public supervisor of monopoly is required. The average consumer is quite willing to pay for goods or services what is reasonably needed to produce them in

the quality and quantity desired. But he is unwilling to pay a price or tax to the mere power of monopoly. He demands to be put in position to be able to bargain equally with the combination or monopoly. But he cannot do this without assistance from the State, which alone has compulsory power over monopolies. He demands this not only as a matter of economy, but also because of his sense of dignity and independence. In a democracy, the State alone has the right to exercise coercion over a free man. And if the State uses its power over the free man in the interests of the nation and of the republic, he is willing to sacrifice himself. But if he is required to make sacrifices for the mere interests of another private citizen, who is no better than he, but who can extort from him because of privileges and powers unjustly won, then his moral being rebels and demands equality and justice. If, then, the public supervisor of monopoly requires the monopolist to exact no more from consumers than he reasonably needs for the conducting of a business in the efficiency desired by the public, the consumer will feel that his dignity is respected and that he is in a position to bargain equally and fairly with the combination or monopoly.

Summing up, we should say that the needs of a monopolistic business are determined, on the one hand, by the cost of production, and on the other, by the efficiency of the business. The public supervisor finds first the average of what is, according to the judicial method. He finds what is required to reproduce the tangible assets used in the business, what the operating expenses are, what wage is paid to labor, what is set aside for depreciation and improvements, and what return the capitalist is accustomed to receive. He does not then assume, as the judge, that the average of what is, is right, but after finding this, he examines whether the business is economically and effectively managed, whether any old and out-of-date machinery is being used, where improvements can be made, whether labor is being paid as much

as is needed to make it efficient, whether enough is being set aside to meet the growing demands of the business, and whether the capitalist is receiving too much or too little. Having made this examination, he then calculates what rates or prices are required to meet the reasonable needs of the business and fixes them for the consumer.

The objection that needs cannot be determined, I do not believe well founded. Cost of production is ascertainable by accountancy, and efficiency is also a subject of judgment. By experience it can be readily ascertained whether a lower rate brings poorer service or whether a higher rate brings either improvements or luxuries, or whether a higher wage to the laborer raises his standard of living and efficiency or means greater dissipation. Efficiency can, of course, not be quantitively determined like cost of production. Neither can we tell whether men are good or bad by mathematical calculation, yet common sense does judge whether men are good or bad, and with some measure of accuracy. In the same way, it judges between efficiency and inefficiency, and with enough accuracy for practical purposes.

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SOME WEAK POINTS IN ANCIENT GREEK ETHICS.

CHARLES W. SUPER.

WHETHER it is possible for a people to organize a government on such principles that it shall be permanent, as human affairs go, is a question that at present receives but little attention because its affirmative is taken for granted. Our contemporaries, except a comparatively small number of pessimists, have such unbounded faith in the ability of that indefinable agency